



Title: I, Payroll/Personnel Manual

Chapter:

Bulletin: Title I, 03-3, Retroactive 2003 Locality-Based Comparability Payment

Date: May 23, 2003

To: Holders of Title I Procedures
Personnel Users Groups
Agency Personnel Offices

The President signed Executive Order Number 13291, dated March 21, 2003, to implement a locality pay increase of approximately 1 percent retroactive to January 12, 2003. The retroactive locality pay increases will be processed by the National Finance Center (NFC) in Pay Period 10 (May 18-31, 2003) and reflected for most employees in their salary payments and earning and leave statements for Pay Period 10. The official payday for Pay Period 10 is June 12, 2003.

This bulletin provides users of the NFC Payroll/Personnel System with information about the retroactive locality pay increase and related processing requirements. This bulletin contains the following sections:

1. Scheduled Rates of Basic Pay
2. Locality Pay
3. Employees Not Receiving Retroactive Locality Payments
4. Life Insurance Coverage
5. Retirement Coverage
6. Thrift Savings Plan (TSP)
7. Interest On Retroactive Payments
8. System-Generated Personnel Actions
9. NFC-Generated History Correction Update Processing System (HCUP) Personnel Actions
10. Lump Sum Annual Leave Payments
11. Compensatory Time
12. Manual Payments

1. Scheduled Rates of Basic Pay

Executive Order Number 13291 does not increase the scheduled rates of basic pay for the General Schedule (GS) and the other statutory pay systems. Executive Order

Number 13282, dated December 31, 2002, provided for an across-the-board increase of 3.1 percent in the rates of basic pay for the statutory pay systems - GS, the Foreign Schedule, etc. This across-the-board increase remains unchanged. Employees' basic rates of pay will **not** change.

The 2003 special salary rate schedules are **not** affected by the retroactive increase in locality pay percentages. The 2003 special salary rate schedules are unchanged. Special rate employees will receive **the greater of** the special salary rate or the locality rate for his/her grade and step.

2. Locality Pay

The additional pay increase attributable to the new locality rates ranges from 0.9 percent (Rest of U.S. Locality Area) to 1.71 percent (San Francisco Locality Area) for most employees. See the attachment for a list of the new locality rates for 2003 for the 32 locality pay areas.

Locality rates of pay for GS employees may not exceed the rate payable for Level IV of the Executive Schedule (\$134,000 in 2003). As a result of the increase in locality percentages for 2003, the locality rate for GS-15, step 10, in the San Francisco locality area would otherwise exceed the Level IV rate. Therefore, the GS-15, step 10 rate for the San Francisco locality area is limited to \$134,000.

The new locality rates also apply retroactively to members of the Senior Executive Service, employees in senior-level and scientific or professional positions, administrative law judges, and members of the Board of Contract Appeals.

3. Employees Not Receiving Retroactive Locality Payments

The following two groups of GS employees will not receive the retroactive locality increase:

- Employees receiving special salary rates whose scheduled rate of pay exceeds the corresponding locality rate of pay for their grade/step; and
- Law Enforcement Officers (LEOs) in the Boston metropolitan area will **not** receive an additional locality pay increase. The LEO geographic adjustment of 16 percent continues to apply to them.

However, NFC **will generate** retroactive locality payment personnel actions on these two groups of GS employees as described in Section 8 (System Generated Personnel Actions) below in the event that they earned overtime or compensatory time during Pay Periods 01 through 09. This personnel action will prompt an adjustment to the rate of pay for those hours.

Note: As a result of the retroactive locality pay increase, the LEO special geographic adjustment of 16 percent for the New York locality pay area was terminated retroactive to January 11, 2003. LEOs in the New York locality pay area will receive the higher locality pay percentage (16.83 percent) retroactive to January 12, 2003.

4. Life Insurance Coverage

If there is an increase in an employee's life insurance coverage as a result of the additional locality pay increase, the related increase in basic and optional life insurance deductions will also be effective retroactively to January 12, 2003.

For additional information, refer to the Office of Personnel Management (OPM) Retirement and Insurance Service, Benefits Administration Letter 03-205, Federal Employees' Group Life Insurance (FEGLI): Effect of the Retroactive Pay Raise on the Amount of FEGLI Coverage and on Life Insurance Certifications, dated March 25, 2003.

5. Retirement Coverage

The retroactive 1 percent locality-based comparability payment increase is considered pay for retirement purposes. For those employees who retired after January 12, 2003, the retroactive 1 percent locality-based comparability payment increase may affect the employee's lump sum payment. NFC will submit the appropriate employee deductions and agency contributions due for any additional basic pay to OPM in accordance with standard reporting procedures. For employees who separated after the beginning of Pay Period 01, 2003, NFC will submit a supplemental Individual Retirement Record documenting the revised salary rate and additional employee deductions.

For additional information, refer to OPM's Retirement and Insurance Service, Benefits Administration Letter 03-305, 2003 Retroactive Pay Raise - Effect on CSRS/FERS and FEGLI, dated March 25, 2003.

6. Thrift Savings Plan (TSP)

If there is an increase in an employee's salary and the employee's TSP contribution is based on a percentage deduction (e.g., 8 percent or 13 percent), there will be a corresponding increase in the amount of the employee's TSP contribution. NFC will make adjustments for any Government matching funds for employees who are covered by the Federal Employees' Retirement System (FERS) and receiving the retroactive locality pay increase.

Although the locality pay increase is retroactive to January 12, 2003, the Federal Retirement Thrift Investment Board has advised, in a memorandum to Thrift Savings Plan Coordinators, dated February 28, 2003, that the locality pay increase is not considered an error subject to lost earnings for TSP purposes under 5 C.F.R., parts 1605 and 1606.

7. Interest On Retroactive Payments

In Compensation Policy Memorandum (CPM) 2003-03, issued March 24, 2003, OPM advised agencies that "employees are **not** entitled to interest on any payments received as a result of processing the retroactive locality pay adjustment." A copy of CPM 2003-03 may be obtained from the following OPM web site: <http://.opm.gov/oca/compmemo/index.asp>.

8. System-Generated Personnel Actions

NFC will automatically generate personnel actions for the retroactive locality payments for employees covered by locality pay. The personnel action will contain nature of action code (NOAC) 895, authority code VGR, and one of the following Remarks Codes:

- P92 - SALARY INCLUDES A LOCALITY-BASED PAYMENT OF ____%.
- P93 - SPECIAL SALARY RATE EXCEEDS THE LOCALITY RATE OF PAY, SO EMPLOYEE RECEIVES NO LOCALITY PAYMENT.

For LEOs in the Boston metropolitan area, the personnel action will contain NOAC 895, authority code ZXT, and Remarks Code P95, SPECIAL ADJUSTED RATE FOR LAW ENFORCEMENT OFFICERS EXCEEDS LOCALITY RATE OF PAY, SO EMPLOYEE RECEIVES NO LOCALITY PAYMENT.

Unless agencies have provided additional requirements, NFC will follow the agency's January Pay Raise instructions for the retroactive locality payments. A Standard Form (SF) 50-B, Notification of Personnel Action, will be generated as normal for these actions.

9. HCUP Personnel Actions

NFC will automatically generate HCUP packages for the following employees:

- for new hires and transfers (between NFC-serviced agencies) appointed between January 12, 2003, and May 17, 2003. The HCUP package will generate a correction to the accession, and will include corrections of any subsequent personnel actions processed after January 12, 2003. The correction actions will contain Remarks Code P88: "CORRECTS ITEMS 20, 20B, 20C, AND IF APPLICABLE, 20D TO REFLECT THE RETROACTIVE LOCALITY PAY INCREASE AUTHORIZED BY EXECUTIVE ORDER 13291. SOME EMPLOYEES MAY NOT HAVE CHANGES DUE TO A HIGHER PAY ENTITLEMENT (E.G., SPECIAL RATE EMPLOYEES, LEO GEOGRAPHIC ADJUSTMENT, ETC.)."
- for transfers from agencies not serviced by NFC, and who were appointed between January 12, 2003, and May 17, 2003. The HCUP package will start with a correction to the accession, and will include corrections of any subsequent personnel actions. The correction actions will contain Remarks Code P88.

In CPM 2003-03, issued March 24, 2003, OPM has advised that the employee's **current** employing agency is responsible for processing the 895/VGR action, effective January 12, 2003, correcting any subsequent personnel actions, and distributing a copy of the action to the employee and filing a copy in the employee's official personnel folder.

- for employees separated between January 12, 2003, and May 17, 2003. The HCUP package will contain the 895 locality adjustment effective January 12, 2003, and corrections of any subsequent personnel actions. The correction actions will contain Remarks Code P88.

- for employees of the Department of Homeland Security (DHS) and employees of the Department of Justice, Alcohol, Tobacco, Firearms and Explosive (DOJ/ATFE). The following processing actions will be necessary for these employees:
 1. In Pay Period 10, NFC will generate a HCUP package, which will include a correction to the accession and any subsequent actions.
 2. Effective with the processing of Pay Period 12, NFC will generate a HCUP package for these employees in their former agency. The HCUP package will include the 895 locality adjustment effective January 12, 2003, and corrections of any subsequent personnel actions. The correction actions will contain Remarks Code P88.

While NFC expects the vast majority of HCUP cases generated for the retroactive locality pay increase to apply to the NFC Payroll/Personnel database without agency intervention, it is anticipated that some HCUP packages generated by NFC will fail a system edit and reject in the Personnel Edit Subsystem (PINE). It will be the agencies' responsibility to review the HCUP packages and correct the edits to ensure that the HCUP package applies to the database.

Note: An SF 50-B, Notification of Personnel Action, will also be generated for all nonretroactive locality payment personnel actions included in the system-generated HCUP packages. The SF 50-B will include Remarks Code P88.

10. Lump Sum Annual Leave Payments

NFC has identified two categories of separated employees affected by the retroactive locality pay increase: (1) former employees who separated prior to January 12, 2003, and whose projected annual leave carried them beyond that date; and (2) former employees separated on or after January 12, 2003. No action on the part of the agency is necessary. NFC's Manual Pay Section will make adjustments to the Lump Sum Payments (LSPs) and issue supplemental payments to these separated employees.

11. Compensatory Time

The Adjustment Processing System (ADJP) will revalidate employee Time and Attendance (T&A) reports for Pay Periods 01 through 09. For employees who earned compensatory time during that period, NFC will update the compensatory time record with the new overtime rates. However, if an agency has adjusted an employee's compensatory time record via the Time Inquiry - Leave Update System (TINQ), the agency will be required to update the employee's compensatory time record via TINQ.

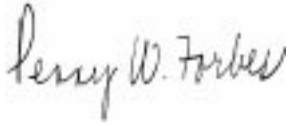
12. Manual Payments

NFC's Manual Payment Section will review all manual payments for Pay Periods 01 through 09 and will make any adjustments required by the retroactive locality payment. No action on the part of the agency is required.

Inquiries

Agencies are **encouraged** to coordinate any problems with their respective agency pay raise representative **prior** to calling the NFC for assistance.

For questions about NFC processing, contact the Payroll Operations Branch at **504-255-4630** . Refer questions about this bulletin to **504-255-5322** or via e-mail at nfc.pvct@usda.gov.



PENNY W. FORBES, Acting Director
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Locality Pay Areas for 2003 (Including 1% Retroactive Increase In Locality Pay)

| Locality Pay Area | Total Percentage Factor for 2003 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| Atlanta, GA MSA | 10.85% |
| Boston-Worcester-Lawrence, MA-NH-ME-CT CMSA | 15.00% |
| Chicago-Gary-Kenosha, IL-IN-WI CMSA | 16.15% |
| Cincinnati-Hamilton, OH-KY-IN CMSA | 13.44% |
| Cleveland-Akron, OH CMSA | 11.50% |
| Columbus, OH MSA | 11.78% |
| Dallas-Fort Worth, TX CMSA | 12.10% |
| Dayton-Springfield, OH MSA | 10.67% |
| Denver-Boulder-Greeley, CO CMSA | 14.77% |
| Detroit-Ann Arbor-Flint, MI CMSA | 14.77% |
| Hartford, CT MSA, plus that portion of New London County not located within the Hartford, CT MSA | 15.56% |
| Houston-Galveston-Brazoria, TX CMSA | 20.53% |
| Huntsville, AL MSA | 10.06% |
| Indianapolis, IN MSA | 9.83% |
| Kansas City, MO-KS MSA | 10.26% |
| Los Angeles-Riverside-Orange County, CA CMSA, plus Santa Barbara County, CA, and that portion of Edwards Air Force Base, CA not located within the Los Angeles-Riverside-Orange County, CA CMSA | 17.71% |
| Miami-Fort Lauderdale, FL CMSA | 13.81% |
| Milwaukee-Racine, WI CMSA | 12.20% |
| Minneapolis-St. Paul, MN-WI MSA | 12.84% |
| New York-Northern New Jersey-Long Island, NY-NJ-CT-PA CMSA | 16.83% |
| Orlando, FL MSA | 9.65% |
| Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD CMSA | 13.43% |
| Pittsburgh, PA MSA | 10.52% |
| Portland-Salem, OR-WA CMSA | 12.97% |
| Richmond-Petersburg, VA MSA | 10.75% |
| Sacramento-Yolo, CA CMSA | 13.29% |
| St. Louis, MO-IL MSA | 9.99% |
| San Diego, CA MSA | 14.07% |
| San Francisco-Oakland-San Jose, CA CMSA | 21.08% |

Locality Pay Areas for 2003 (Including 1% Retroactive Increase In Locality Pay)
(continued)

| Locality Pay Area | Total Percentage Factor for 2003 |
|----------------------------------------------------------------------------------------------------------|-----------------------------------------|
| Seattle-Tacoma-Bremerton, WA CMSA | 13.11% |
| Washington-Baltimore, DC-MD-VA-WV CMSA | 12.74% |
| Rest of U.S. (RUS) - portions of the United States not located within another pay locality area | 9.62% |